

107TH CONGRESS  
2D SESSION

# H. R. 4180

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local political committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 11, 2002

Mr. DOGGETT (for himself, Mr. SHAYS, Mr. MEEHAN, Mr. RANGEL, Mr. STARK, Mr. MATSUI, Mr. COYNE, Mr. LEVIN, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. McNULTY, Mr. JEFFERSON, Mr. TANNER, Mr. POMEROY, Mr. ALLEN, Mr. ANDREWS, Mr. BENTSEN, Mr. DAVIS of Florida, Mr. GONZALEZ, Mr. GRAHAM, Mr. GREEN of Texas, Mr. HALL of Ohio, Ms. JACKSON-LEE of Texas, Mrs. MINK of Hawaii, Mr. MOORE, Mr. PLATTS, Mr. SANDLIN, and Mr. TURNER) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend section 527 of the Internal Revenue Code of 1986 to eliminate notification and return requirements for State and local political committees and candidate committees and avoid duplicate reporting by certain State and local political committees of information required to be reported and made publicly available under State law, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXEMPTION FOR CERTAIN STATE AND LOCAL**  
 4 **POLITICAL COMMITTEES FROM NOTIFICA-**  
 5 **TION REQUIREMENTS.**

6 (a) EXEMPTION FROM NOTIFICATION REQUIRE-  
 7 MENTS.—Paragraph (5) of section 527(i) of the Internal  
 8 Revenue Code of 1986 (relating to organizations must no-  
 9 tify Secretary that they are section 527 organizations) is  
 10 amended by striking “or” at the end of subparagraph (A),  
 11 by striking the period at the end of subparagraph (B) and  
 12 inserting “, or”, and by adding at the end the following:

13 “(C) which is a political committee of a  
 14 State or local candidate or which is a State or  
 15 local committee of a political party.”.

16 (b) EFFECTIVE DATE.—The amendments made by  
 17 subsection (a) shall take effect as if included in the  
 18 amendments made by Public Law 106–230.

19 **SEC. 2. EXEMPTION FOR CERTAIN STATE AND LOCAL PO-**  
 20 **LITICAL COMMITTEES FROM REPORTING**  
 21 **AND ANNUAL RETURN REQUIREMENTS.**

22 (a) IN GENERAL.—Section 527(j)(5) of the Internal  
 23 Revenue Code of 1986 (relating to coordination with other  
 24 requirements) is amended by striking “or” at the end of  
 25 subparagraph (D), by redesignating subparagraphs (C),

1 (D), and (E) as subparagraphs (D), (E), and (F), respec-  
 2 tively, and by inserting after subparagraph (B) the fol-  
 3 lowing new subparagraph:

4 “(C) to any organization which is an ex-  
 5 empt State or local political organization,”.

6 (b) EXEMPT STATE OR LOCAL POLITICAL ORGANIZA-  
 7 TION.—Subsection (e) of section 527 of the Internal Rev-  
 8 enue Code of 1986 (relating to other definitions) is  
 9 amended by adding at the end the following new para-  
 10 graph:

11 “(5) EXEMPT STATE OR LOCAL POLITICAL OR-  
 12 GANIZATION.—

13 “(A) IN GENERAL.—The term ‘exempt  
 14 State or local political organization’ means a  
 15 political organization which—

16 “(i) does not engage in any exempt  
 17 function other than solely for the purposes  
 18 of influencing or attempting to influence  
 19 the selection, nomination, election, or ap-  
 20 pointment of any individual to any State or  
 21 local public office or office in a State or  
 22 local political organization,

23 “(ii) is subject to State requirements  
 24 to report (and it so reports)—

1 “(I) information regarding each  
2 separate expenditure from and con-  
3 tribution to, such organization, and

4 “(II) information regarding the  
5 person who makes such contribution  
6 or receives such expenditure,

7 which would otherwise be required to be  
8 reported under this section, and

9 “(iii) with respect to which the reports  
10 referred to in clause (ii) are made public  
11 by the agency with which such reports are  
12 filed and are publicly available for inspec-  
13 tion in a manner similar to that required  
14 by section 6104(d)(1).

15 “(B) CERTAIN FAILURES DISREGARDED.—  
16 An organization shall not be treated as failing  
17 to meet the requirements of subparagraph  
18 (A)(ii) solely by reason of 1 or more of the fol-  
19 lowing:

20 “(i) The minimum amount of any ex-  
21 penditure or contribution required to be re-  
22 ported under State law is not more than  
23 \$300 greater than the minimum amount  
24 required to be reported under subsection  
25 (j).

1           “(ii) The State law does not require  
2           the organization to identify 1 or more of  
3           the following:

4                   “(I) The employer of any person  
5                   who makes contributions to the orga-  
6                   nization.

7                   “(II) The occupation of any per-  
8                   son who makes contributions to the  
9                   organization.

10                  “(III) The employer of any per-  
11                  son who receives expenditures from  
12                  the organization.

13                  “(IV) The occupation of any per-  
14                  son who receives expenditures from  
15                  the organization.

16                  “(V) The purpose of any expendi-  
17                  ture of the organization.

18                  “(VI) The date of any contribu-  
19                  tion to or expenditure from the orga-  
20                  nization.

21           “(iii) The organization makes de mini-  
22           mis errors in complying with State law re-  
23           quirements as long as the organization cor-  
24           rects the errors within a reasonable period  
25           after being notified of such errors.

“(C) PARTICIPATION OF FEDERAL CANDIDATE OR OFFICE HOLDER.—The term ‘exempt State or local political organization’ shall not include any organization otherwise described in subparagraph (A) if a candidate for nomination or election to Federal public office or an individual who holds such office—

“(i) controls or materially participates in the direction of the organization,

“(ii) solicits contributions to the organization, or

“(iii) directs, in whole or in part, disbursements by the organization.”.

(c) ANNUAL RETURN REQUIREMENTS.—

(1) INCOME TAX RETURNS REQUIRED ONLY FOR POLITICAL ORGANIZATION TAXABLE INCOME.—Paragraph (6) of section 6012(a) of the Internal Revenue Code of 1986 (relating to persons required to make returns of income) is amended by striking “or which has” and all that follows through “section)”.

(2) INFORMATION RETURNS.—Subsection (g) of section 6033 of such Code (relating to returns required by political organizations) is amended—

(A) by striking “political organization required to file a return under section 6012(a)(6)” and inserting “political organization (with the meaning of section 527, other than a political committee of a State or local candidate) which has gross receipts of \$25,000 or more for the taxable year”, and

(B) by adding at the end the following new sentence:

“In the case of an exempt State or local political organization (as defined in section 527(e)(5)), the preceding sentence shall be applied by substituting ‘\$100,000’ for ‘\$25,000’.”.

(3) **AUTHORIZATION TO MODIFY INFORMATION RETURNS.**—The Secretary shall review for possible modification the annual return required under section 6033(g) of the Internal Revenue Code of 1986.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106–230.

### **SEC. 3. NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS.**

(a) **IN GENERAL.**—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize—

1           (1) the effect of the amendments made by this  
2       Act, and

3           (2) the interaction of requirements to file a no-  
4       tification or report under section 527 of the Internal  
5       Revenue Code of 1986 and reports under the Fed-  
6       eral Election Campaign Act of 1971.

7       (b) INFORMATION.—Information provided under sub-  
8       section (a) shall be included in any appropriate form, in-  
9       struction, notice, or other guidance issued to the public  
10      by the Secretary of the Treasury or the Federal Election  
11      Commission regarding reporting requirements of political  
12      organizations (as defined in section 527 of the Internal  
13      Revenue Code of 1986) or reporting requirements under  
14      the Federal Election Campaign Act of 1971.

15   **SEC. 4. WAIVER OF PENALTIES.**

16       (a) WAIVER OF FILING PENALTIES.—Section 527 of  
17      the Internal Revenue Code of 1986 is amended by adding  
18      at the end the following:

19       “(k) AUTHORITY TO WAIVE.—The Secretary may  
20      waive all or any portion of the—

21           “(1) tax assessed on an organization by reason  
22          of the failure of the organization to give notice  
23          under subsection (i), or

24           “(2) penalty imposed under subsection (j) for a  
25          failure to file a report,



1 on a showing that such failure was due to reasonable cause  
2 and not due to willful neglect.”.

3 (b) EFFECTIVE DATE.—The amendment made by  
4 subsection (a) shall apply to any tax assessed or penalty  
5 imposed after June 30, 2000.

6 **SEC. 5. TECHNICAL CORRECTIONS TO SECTION 527 ORGA-**  
7 **NIZATION DISCLOSURE PROVISIONS.**

8 (a) UNSEGREGATED FUNDS NOT TO AVOID TAX.—  
9 Paragraph (4) of section 527(i) of the Internal Revenue  
10 Code of 1986 (relating to failure to notify) is amended  
11 by adding at the end the following new sentence: “For  
12 purposes of the preceding sentence, the term ‘exempt func-  
13 tion income’ means any amount described in a subpara-  
14 graph of subsection (c)(3), whether or not segregated for  
15 use for an exempt function.”.

16 (b) PROCEDURES FOR ASSESSMENT AND COLLEC-  
17 TION OF PENALTY.—Paragraph (1) of section 527(j) of  
18 the Internal Revenue Code of 1986 (relating to required  
19 disclosure of expenditures and contributions) is amended  
20 by adding at the end the following new sentence: “For  
21 purposes of subtitle F, the penalty imposed by this para-  
22 graph shall be assessed and collected in the same manner  
23 as penalties imposed by section 6652(c).”.

24 (c) DUPLICATE WRITTEN FILINGS NOT RE-  
25 QUIRED.—

1           (1) Subparagraph (A) of section 527(i)(1) of  
2           the Internal Revenue Code of 1986 is amended by  
3           striking “, electronically and in writing,” and insert-  
4           ing “electronically”.

5           (2) Subsection (i) of section 527 of such Code  
6           is amended by adding at the end the following new  
7           paragraph:

8           “(7) ELECTRONIC FILING.—The Secretary shall  
9           develop procedures for submission in electronic form  
10          of notices required to be filed under this subsection  
11          and reports required to be filed under subsection  
12          (j).”.

13          (d) APPLICATION OF FRAUD PENALTY.—Section  
14          7207 of the Internal Revenue Code of 1986 (relating to  
15          fraudulent returns, statements, and other documents) is  
16          amended by striking “pursuant to subsection (b) of section  
17          6047 or pursuant to subsection (d) of section 6104” and  
18          inserting “pursuant to section 6047(b), section 6104(d),  
19          or subsection (i) or (j) of section 527”.

20          (e) CONTENTS OF REPORT.—Section 527(j)(3) of the  
21          Internal Revenue Code of 1986 (relating to contents of  
22          report) is amended—

23                (1) by inserting “, date, and purpose” after  
24                “The amount” in subparagraph (A), and

1           (2) by inserting “and date” after “the amount”  
2       in subparagraph (B).

3       (f) CONTENTS OF NOTICE.—Section 527(i)(3) of the  
4 Internal Revenue Code of 1986 (relating to contents of  
5 notice) is amended by striking “and” at the end of sub-  
6 paragraph (D), by redesignating subparagraph (E) as sub-  
7 paragraph (F), and by inserting after subparagraph (D)  
8 the following new subparagraph:

9           “(E) whether the organization intends to  
10       claim an exemption from the requirements of  
11       subsection (j) or section 6033, and”.

12       (g) TIMING OF NOTICES.—Section 527(i)(2) of the  
13 Internal Revenue Code of 1986 (relating to time to give  
14 notice) is amended by inserting “or, in the case of any  
15 material change in the information required under para-  
16 graph (3), not later than 30 days after such material  
17 change” after “established”.

18       (h) EFFECTIVE DATES.—

19           (1) SUBSECTIONS (a) AND (b).—The amend-  
20       ments made by subsections (a) and (b) shall apply  
21       to failures occurring on or after the date of the en-  
22       actment of this Act.

23           (2) SUBSECTION (c).—The amendments made  
24       by subsection (c) shall take effect as if included in  
25       the amendments made by Public Law 106–230.

1           (3) SUBSECTIONS (d), (e), AND (f).—The  
2       amendments made by subsections (d), (e), and (f)  
3       shall apply to reports or notices filed on or after the  
4       date of the enactment of this Act.

5           (4) SUBSECTION (g).—The amendments made  
6       by subsection (g) shall apply to material changes on  
7       or after the date of the enactment of this Act.

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